

BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting
(Proposal Four)

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: Docket No. RM2016-12
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UNITED PARCEL SERVICE, INC.'S SUPPLEMENT TO ITS
INITIAL COMMENTS WITH INFORMAL RESPONSES TO
POSTAL SERVICE QUESTIONS

(November 4, 2016)

The Commission recently denied motions filed by the United States Postal Service ("Postal Service") requesting that the Commission issue information requests to United Parcel Service, Inc. ("UPS") concerning UPS Comments filed in this docket along with supporting expert materials from Dr. Neels and Dr. Powers of the Brattle Group ("Brattle Report") on October 17, 2016. See Order Addressing Procedural Motions ("Order"), Order No. 3586, Dkt. No. RM2016-12 (October 26, 2016). The Commission noted that the Postal Service was, nonetheless, free to contact UPS informally with any questions, and UPS would be free to answer voluntarily. *Id. at 2*. The Commission further suggested that UPS move to file answers it provided as a supplement to its initial comments. *Id. at 2-3*.

The Postal Service has since contacted UPS with a more focused set of four questions. In the spirit of cooperation, UPS hereby supplements its initial comments with the following responses to the Postal Service's questions so all interested participants, including the Commission, may have access to the same information in this docket.

1. **Please refer to UPS-LR-RM2016-12/NP1, file “*quarterly volume and capacity.dta*”. Please confirm that during the construction of this dataset all TESTIDs with zero mail volumes were deleted.**

RESPONSE:

Confirmed. The file “generate quarterly volume and capacity.do” aggregates Proposal 4 data to calculate the estimated system-wide mail volume by quarter for each route type, which are ultimately contained in the referenced file. In line 20 of this program, UPS’s experts excluded TESTIDs with zero mail volume from the calculation of quarterly mail volume. Only the summed quarterly volumes (and not the capacities) are used in the subsequent analysis. Thus, the inclusion or exclusion of TESTIDs with zero mail volumes has no consequential impact on the analysis, as the sum total mail volume by quarter does not change with the inclusion of these TESTIDs.

2. **Please refer to UPS-LR-RM2016-12/1, UPS5 – Day of Week Statistics.zip, Excel workbook “*demonstrative volume capacity change.xlsx*”, tab “*volchange*”. Column I is entitled “use”. Please provide a definition of this variable.**

RESPONSE:

The “use” variable is used to filter the 12 observation comparisons the authors chose to display in Table 6 on page 23 of the Brattle Report.

3. **Please refer to UPS-LR-RM2016-12/1, UPS6 – Regional Volume Analysis.zip, Excel workbooks “*interndchist.csv*”, “*interscfhist.csv*”, “*intrandchist.csv*”, and “*intrascfhist.csv*”. Each workbook consists of two column headings, “Full” and “fullnumber.” Please provide definitions for the contents of those columns.**

RESPONSE:

In each of the referenced .csv files, “FULL” is a unique list of the 101 potential integer values (all integers from 0 to 100, inclusive) created by summing the “unloaded”

and “remain” variables in the TRACS tests corresponding to a given contract type over the FY10-FY15 period. “Fullnumber” refers to the frequency of TRACS tests of each contract type that correspond to a given value of “FULL.” For example, from the file “intrascfhist.csv”, one can see that about 6.19% of Intra-SCF TRACS tests report a truck that is exactly 10% full. As described at page 25 of the Brattle Report, the sum of the “unloaded” and “remain” variables is the source of the test-level mail volume estimate that ultimately forms the basis for the aggregated volume estimates Professor Bradley used in his regression analyses.

4. Please refer to the following passage from page 34 of the Brattle Report.

“The facility codes used in the TRACS data represent distinct but unknown geographic locations. Based on route information in the raw TRACS data, it is possible to identify the codes that are used to refer to the 21 geographically dispersed NDCs. We were able to associate most facility codes at which TRACS tests were taken to a single or dominant NDC.”

To associate facility codes from TRACS to a single or dominant NDC, how did you account for the fact that the TRACS raw data from folder 36 include encrypted data on variables ROUTE, OCODE, DCODE, and FCODE?

RESPONSE:

As the question states, the referenced variables in the TRACS raw data from the FY10-FY15 Public library references are encrypted or masked and thus the Brattle analysis does not reveal geographic or contract-level details associated with routes or facilities. Nonetheless, patterns in the data reveal regular associations between most masked ROUTE identifiers and masked facility codes (which appear in the FCODE, DCODE, and OCODE fields). For example, TRACS data from eight distinct Q1 TESTIDs from FY10 – FY15 provide route information corresponding to ROUTE code

“27290”. The exact sequence of the route varies across the eight TESTIDs, but all eight reference two or more of the following four facility codes: 794, 73K, 79433, and 730.

Dr. Neels and Dr. Powers observe similar associations among facility codes. For example, of the 11 Q2 TRACS tests from FY10-FY15 that reference both facility code 010 and an NDC code, all 11 reference NDC code 02M. This indicates these two facilities are geographically related or close to one another, although the actual geographical locations are still masked.¹ These are examples of the type of information in the Public TRACS data that Dr. Neels and Dr. Powers used in associating facility codes to a single or dominant NDC. The statistical programs underlying this analysis are contained in the “Regional Volume Analysis” folder in UPS-LR-RM2016-12/1.

Respectfully submitted,

UNITED PARCEL SERVICE, INC.,

By: /s/ Steig D. Olson

Steig D. Olson

Quinn Emanuel Urquhart & Sullivan, LLP

51 Madison Ave., 22nd Floor

New York, NY 10010

(212) 849-7152

steigolson@quinnemanuel.com

Attorney for UPS

¹ Note that different masked values are often used in different quarters to refer to the same facility, a fact accounted for by the Brattle Report.